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## Paradise Lost Revisited: GM and the UAW in Historical Perspective

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### Abstract

#### Purpose

Analysis of historic relationship between GM and Union of Automobile Workers (UAW) from 1936 through the moment of bankruptcy of GM in 2009. How can this historic relationship be explained from the viewpoint of evolving labor and industrial relations in the US?

#### Design/methodology/approach

Historical and comparative analyses. Secondary analysis.

#### Findings

Over time the relationship has been a dynamic and flexible one. In the first decades the most important objective of the UAW was the recognition of the union by GM. From the second half of the 1940s until the 1970s the main attention of both parties shifted towards a dynamic wage policy. Finally, from the 1970s onwards the safeguarding of job security became the main objective of the UAW, whereas GM tried to maximize its room of maneuver to transform its Fordist production system into a more flexible one.

#### Research limitations/implications

The present study provides a starting point for further in-depth research towards the historic relationship between GM & the UAW.

#### Originality/value

Longitudinal approach of development of labor-management relationship between two opposite parties in differing economic and technological contexts.

#### Keywords

Labor and industrial relations, business history, US, automobile industry, political economy, historical research

#### Disciplines

Labor Relations

#### Comments

##### Suggested Citation

De Gier, E. (2010). *Paradise lost revisited: GM and the UAW in historical perspective*. Retrieved [insert date] from Cornell University, ILR School site: <http://digitalcommons.ilr.cornell.edu/intlvf/30>

# Paradise Lost Revisited

## GM & the UAW in Historical Perspective



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## ABSTRACT

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Erik de Gier

Research paper

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## Summary

Against the backdrop of important economic and political developments in the US this paper describes and analyzes the historical relationship between GM and the Union of Automobile Workers (UAW) from the talked Flint sit-down strike in 1936/1937 until the bankruptcy of GM in 2009. The main research question is how this historic relationship can be explained and typified from the viewpoint of industrial relations in the US. It turns out that from a historic perspective the relationship has been a dynamic and flexible one. In the first decades the most important objective of the UAW was the recognition of the union by GM. From the second half of the 1940s until the 1970s the main attention of both parties shifted towards a dynamic wage policy. Finally, from the 1970s onwards the safeguarding of job security became the main objective of the UAW, whereas GM tried to maximize its room of maneuver to transform its Fordist production system into a more flexible one with at the same time less conflictive labor relations. Despite these substantive changes in the objectives of the relationship over time, the trade-off between the two contenders had always contained important aspects of a truce. Both parties parted also joint interests with respect to worker control and shop-floor control.

## Introduction

In this research paper I will analyze from a historical viewpoint the intensive and reciprocal relationship General Motors (GM) developed with the Union of Automobile Workers (UAW)<sup>1</sup> in the period 1936-2009.

Since the sit-down strike in the GM-plant in Flint Michigan in 1936/37 until the bankruptcy of GM at the end of 2009 there has always been a very intensive relationship between GM and the UAW. To some extent, it is justified to state that the provisional end of GM in 2009 has been caused also by this relationship<sup>2</sup>. This period, spanning a bit more than seven decades, covers the ascent of the company until the 1970s and its gradual decline afterwards. Also, this period is covered by the increasingly tense competition with the Japanese automobile industry, first abroad and then from the 1980s onwards also in the US. With respect to work and labor this competition not only marked

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<sup>1</sup> The UAW was established in 1935 after the passage of the Wagner Act. This act guaranteed workers the right to organize. The first UAW-president was Homer Martin, who also played an important role in the Flint sit-down strike of 1936-37 (Ingrassia 2010: 25).

<sup>2</sup> Some (neo-conservative) observers even contend that the extinction of GM in 2009 is caused exclusively by the UAW. See: Reisman 2006.

the introduction of Japanese just-in-time and lean production techniques in the American automobile industry and the 'end' of mass production of cars, but also the experimenting with new labor-management techniques and new labor relations, most intentionally in the Toyota-GM joint venture NUMMI in California and the Saturn company in Tennessee.

I will focus on various events over time and its consequences for both the union and the company. These are in a chronological order:

- The sit-down strike in Flint Michigan in 1936/1937. The aim of this strike was recognition of the UAW by the GM-management and was followed by a first (standard) agreement between GM and the UAW
- The great postwar strike in 1945-46 leading to a substantial wage increase
- The important collective agreement of 1948 containing the introduction of an automatic living adjustment (COLA) and the collective agreement of 1950 introducing pension rights and workers health insurance
- The 1970-strike, just after the dramatic airplane incident of Walther Reuther and just before the Japanese invasion of the US car market, leading to the '30-and-out' right for workers
- The NUMMI joint venture with Toyota in Fremont California from 1983 onward
- The introduction of the Jobs Bank in 1984, enlarging substantially job and income security of GM-workers
- The Saturn initiative from 1985 (1991) onward with renewed labor relations
- The 1998-strike in Flint directed at defending the negotiated right to work only five hours per day for an eight hours pay
- The provisional end of the relationship with the bankruptcy of GM in 2009

My main research aim is to search for significant regularities in the union-management relationship between GM and the UAW in order to be able to find an answer on the following research questions:

- (a) How can the historic relationship between GM and the UAW be typified from the viewpoint of industrial relations in the US?
- (b) Which role has the US-government played at the background and to what extent has this been decisive at certain moments for the further development of the GM-UAW relationship? Think in this respect for example of the New Deal legislation of President Franklin D. Roosevelt, the Taft Hartley Act (1947) of President Harry Truman and the application of Chapter 11 of the Bankruptcy Code by the Obama administration.
- (c) Which role has been played by strong personalities at both sides, such as Alfred P. Sloan (GM),

Walther Reuther (UAW) and Stephen B. Yokich (UAW)?

I will finish my paper with drawing conclusions as well as with some suppositions for a further debate.

### **The 1930s and the Flint sit-down strike**

There exists an extensive, mostly descriptive literature about this “most critical labor conflict of the 1930s and perhaps all of American history” which according to Fortune can also be seen as “one of the greatest mass movements in our history” (Fine 1969: 338). Fact is that the Flint sit-down strike resulted in the recognition as the sole workers bargaining party at the GM company level of the at the time newly formed Union of Automobile Workers (UAW-CIO). Before the strike GM didn’t recognize the UAW and practiced instead of that the so-called open shop system. This implied negotiating about worker grievances with different company unions or craft unions, and not solely with one union representing all company workers.

The recognition of UAW by GM was the starting point of a remaining and for the biggest part strained employer-employees relationship between GM and the UAW, but at the same time of extraordinary results in favor of the workers and the UAW.

Contrary to earlier sit-down factory strikes in Europe (France), the Flint sit-down strike was not a largely spontaneous strike of dissatisfied workers, but a strike which from the onset to the end was fully orchestrated by the UAW. At the same time, it involved only a minority of the workforce. The demands were specifically union demands and were primarily focused on weakening the dominant Fordist-Taylorist production system at GM and at the same time on the strengthening of the still weak position of the labor movement in the company. Its wider societal relevance concerned the unionization of the Fordist-Taylorist mass-production factory system (Torigian 1999: 324-347).

Box 1 contains a brief description of the Flint sit-down strike, which took place from December 1936 until February 1937 and all together lasted 44 days.

### Box 1: The GM-Flint sit-down strike 1936-1937

After Christmas, on 30 December 1936, UAW/CIO-leaders authorized a companywide strike.

The major GM-production center of bodies and parts Flint, near Detroit, became the main battleground of the strike.

The strike started in the Fisher Body One plant (approximately 7000 workers) and was extended later on to Fisher Body Two (1100 workers) and subsequently also to the nearby Chevrolet Four plant.

Only a limited number of workers were actively involved in the sit-down strike (90 men in Fisher Body one, 17 in Fisher Body Two, and 850 workers in Chevrolet Four). Also a part didn't belong to GM's own workforce.

The strike reached a climax on 11 January 1937 with the famous "Battle of Bulls' Run". Strikers forced the Flint-police retreating after assault on the plant. Many injured: 11 police and 14 strikers and spectators.

January 1937: first interventions of state governor of Michigan Frank Murphy and arrival of the National Guard.

Late January and early February 1937: Labor Secretary Perkins negotiated with GM-board members and UAW-leaders in Washington.

First part of February 1937: negotiations between governor Murphy, GM's vice-president Knudsen and UAW/CIO-leader Lewis.

Ending of strike on 11 February 1937 with the recognition of UAW by GM as the sole voice of the employees at seventeen plants for six months.

The strike, lasting all together 45 days, affected eventually 140.000 workers in approximately 50 GM-plants.

Source: Blackwood 2003; Fine 1965; Rosenzweig et al. 2008

The initial strike demands were extensive and contained the following eight points: (1) a national bargaining conference between the UAW-CIO and GM; (2) the abolition of piece work; (3) the 6-hour day and the 30-hour week; (4) a minimum rate of pay "commensurate with an American standard of living"; (5) "reinstatement" of employees who have been unjustly discharged; (6) seniority in laying off and rehiring; (7) sole bargaining rights for the UAW; (8) speed of production to be mutually agreed upon in each plant (Blackwood 2003: 310).

In the end, all these demands boiled down to one single union demand of sole collective bargaining rights in the different plants in which the strike took place (Blackwood 2003: 315). As a result, with the ending of the strike UAW got sole bargaining powers at 17 plants and a 5-cent an hour increase of the workers' wages (Blackwood 2003: 315).

The significance of the Flint sit-down strike remains not limited to the actual results of the strike but lies also in the aftermath of the strike. Shortly after the ending of the Flint strike, in March 1937, a sit-down strike followed at Chrysler Company, one of the at the time with GM and Ford big three car makers in the US, with comparable results for the UAW. Furthermore, the GM strike caused a real epidemic of sit-down strikes in the spring of 1937, mostly in the textile industry with eighty sit-down



strikes and in the car industry with forty-five strikes. On the whole, there were 477 sit-downs in 1937 affecting approximately 40.000 workers on a total of 4740 strikes in that year (Fine 1969: 331).

Apart from recognition of the UAW and other labor unions by companies, the Flint-strike ignited the growth of unionism, particularly in the automobile industry (Fine 1969: 329).

In the wake of the sit-down movement in 1937 the Supreme Court accepted the constitutionality of the Wagner Act in March 1937. This act protected unions from employer interference and granted institutionalized procedural bargaining rights to unions. As a consequence, the number of sit-down drastically decreased. Then, in 1939, the Supreme Court declared the sit-down strike as an “illegal seizure” of private property (Torigian 1999: 346-347).

In sum, as Fine concluded with hindsight in 1969, about ten years after the sit-down strike as well as after a decade of collective bargaining the scars of the conflict remained visible in the company: “GM remained as unwilling after the strike as before the dispute to concede that the solution of its industrial-relations problems involved the establishment of outside unionism in its plants” (Fine 1969: 320).

To understand fully the significance and impact of the Flint sit-down strike, it is important to consider it against the backdrop of the time and context in which it took place. Principally, it was the time of the Great Depression and the New Deal politics of President F.D. Roosevelt. Another, but not less important point is the actual corporate policy of GM with respect to the unions and its own workforce.

The Flint Fisher Body plants experienced about twelve strikes in the late 1920s, which grew more seriously in the period directly preceding the Great Depression. These strikes were mainly organized by skilled body workers and skilled tool and die workers to protest against the new production policy of GM directed at introducing technological changes in the production system. GM’s policy consisted primarily of down-sizing plants because of substantial drops in car sales<sup>3</sup>. Because of this, approximately half of the GM-workforce was laid-off between 1928 and 1932 (Reynolds 2003: 351). As Reynolds describes concisely, GM’s policy was embedded also in the so-called 1935 policy shift inside GM. This consisted of a \$ 50 million program to “reorganize, readjust and expand manufacturing operations”, combined with GM’s “competing plant” strategy. The first part of the new policy concerned the introduction of the “runaway shop” or the opening of new manufacturing

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<sup>3</sup> The total new car production (not exclusively GM) in the US tumbled from approximately 5 million cars in 1929 to 1.3 million cars in 1932 (Rae 1965: 625).

and assembly line operations in various GM-plants with the intention to reduce the vulnerability of work stoppages by unions strongholds of skilled workers in the company. In addition, the competing plant strategy entailed a modernization program directed at implementing technological changes in production systems by means of automation and by replacing skilled machine operators by more complex machines and unskilled operators.

The policy shift was a direct attack of GM on the New Deal and existing unionism in the company and fitted well in the broader policy of decentralizing management responsibilities inside GM by means of which divisional managers got a large autonomy with respect to implementing new production technologies and strategies.

To counter closed shop unionism GM also used plant guards and company spies. Furthermore, GM created its own competitive company unions or “works councils” and from the 1920s onward introduced its own form of benevolent “welfare capitalism” by offering workers for example lunchroom facilities, recreational facilities and emergency rooms (Reynolds 2003: 353; Fine 1963: 8).

The increasing union activities were not only caused by GM’s own corporate policy. Probably, as important, has been FDR’s New Deal and the consecutive formulation of a national labor policy. One of the center pieces of the New Deal was the promotion of industrial democracy and the introduction of a new collective bargaining policy. After being elected in 1932 FDR introduced first of all important relief programs and work projects, such as the Tennessee Valley Authority. Later on, after reelection in 1936, FDR introduced the so-called Second New Deal, consisting of a number of social reforms that supported workers “to establish trade unions, find government-paid jobs, and retire with dignity” (Rosenzweig et al. 2008: 446). Particularly important in this respect was the National Labor Relations Act or Wagner Act (1935/1937). In fact, the Wagner Act gave a collective voice to workers by granting them the formal right to freely organize unions and to strike<sup>4</sup>. The Act also introduced the National Labor Relations Board in behalf of the settlement of employee complaints, the determination of union jurisdictions, and the conduction of on-site elections (Rosenzweig et al. 2008: 454-461; Bernstein 1975).

In short, both the company policy directed at technological innovation of the existing production systems inside GM and the introduction of the worker supportive Wagner Act contributed to the upsurge of worker militancy inside GM. Furthermore, it can be added that once the Flint sit-down strike broke out the state government and the national government played a decisive role in settling

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<sup>4</sup> Already in 1933 the National Industrial Recovery Act (NIRA), Section 7(a) granted workers rights to organize. This act was invalidated by the Supreme Court in 1935.

the conflict. In a re-examination of the conflict twenty years after, Sydney Fine, describes the crucial role and direct involvement of Democratic state governor Frank Murphy, secretary of Labor Frances Perkins and also FDR with solving the conflict. Murphy prevented a violent escalation of the sit-down strike by keeping the National Guard at bay, whereas Perkins and Roosevelt played a decisive role in bringing together the GM-management (Alfred P. Sloan and William S. Knudsen) and the national UAW-management (John L. Lewis) (Fine 1965).

The long-term consequences of the Flint sit-down strikes not only implied the recognition of the UAW by GM, but also an upsurge of unionization in the US. Union membership in Detroit increased in a few years from 70.000 to about 300.000 (Blackwood 2003: 316)<sup>5</sup>. Nevertheless, by the end of the thirties part of the progress made was lost again because of internal UAW-conflicts and a new substantial rise of unemployment in the US.

In 1939 UAW- board member Walther P. Reuther was appointed as the director of GM Department. Subsequently, Reuther reorganized and revitalized the GM Department of the UAW (Barnard 2003: 321).

### **The 1940s: the great post-war strike and the Treaty of Detroit**

The 1940s can be considered as the decade in which further unionization of the American workforce in mass-production industries occurred<sup>6</sup>. What is more, this decade marked also the important shift from militant shop floor bargaining towards collective bargaining. The legal groundwork for this shift was laid by the New Deal collective bargaining legislation. Most important in this respect have been the Wagner Act (1935) and the Railway Labor Act (1926). In 1947 the legal groundwork got a provisional finishing touch with the restrictive Taft-Hartley Act, limiting practices of shop floor bargaining and sympathy strikes (Philips-Fein 2009: 31-34)<sup>7</sup>. As a result, this legal groundwork contributed significantly to de-radicalizing the union movement from the second half of the 1940s onward. At the same time, federal intervention from assistance to regulation in case of labor conflicts got recognized. As Bernstein contends, “the fundamental issue of policy in 1935, whether the government should step in, has been resolved, liberals and conservatives alike being in agreement here” (Bernstein 1950: 149).

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<sup>5</sup> In the US total union membership of both CIO and AFL rose from 3 million in 1934 to 8 million around 1939 (Rosenzweig et al. 2008: 476).

<sup>6</sup> In 1947 union membership had risen to almost 15.5 million (Bernstein 1950: 148).

<sup>7</sup> The Taft-Hartley Acts of 1947, amongst other things, “..deprived foremen of the protection that the Wagner Act afforded workers, made sympathy strikes and boycotts more difficult to carry out, and allowed states to ban the union shop” (Rosenzweig et al.: 568-570).

With respect to GM and the UAW the decade is marked by the war period, the great postwar strike of 1945-46, the two year collective agreement of 1948 and the five year collective agreement of 1950 respectively.

First of all, the war period (1942-1945), was the period in which the UAW officially abstained from the right to strike, also on request of President F.D. Roosevelt<sup>8</sup>. Car production was replaced by war production of guns, tanks and other war transportation means. Internally, the UAW issued a no-strike pledge and a seven-point program promoting "victory through equality of sacrifice" (Reuther 1943: 318). In practice, on the shop floor many wild cat strikes in the car industry were fought<sup>9</sup>. As a matter of fact, according to the War Labor Board a mood of rebellion and irrationality and a breakdown of discipline swept through the million-strong workforce of southeastern Michigan (Lichtenstein 1980 335). West contends that in addition to pay, .."the most common concern seems to have been the numerous kind of grievances around production and discipline .." (West 1986: 80). The continuing worker militancy at the shop-floor level during the war years can be explained largely by several factors, such as the experienced influence by workers of big business in government and in war efforts, the criticizing of the New deal reforms and its sub-sequential retreat, and finally internal ideological divisions within the unions itself (Reuther 1943: 311-327).

Worker militancy was the strongest among skilled and semi-skilled workers, such as the body workers and trim workers, and not so much among the unskilled assembly-line workers. In addition, a dense network of UAW-shop stewards played a key role, confirming the real power of the UAW at the local level (Lichtenstein 1980: 336-339).

At the end of the war GM prepared gradually a conversion towards peacetime car production and as a consequence also started renegotiating with the UAW. GM's intention was primarily to reassert its authority over production standards, combined with strengthening worker control and to minimize at the same time the influence of the UAW. To reach these goals, the corporation established in 1945 its own Employment Relations Department (Raucher 2003: 339).

Lichtenstein describes meticulously the remaining importance of shop-floor militancy after the Flint

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<sup>8</sup> The no-strike pledge was not limited to the UAW. After the German invasion of the Soviet Union in June 1941 and the Japanese attack on Pearl Harbor in December 1941 the whole American labor movement pledged for war support and an accompanying peace on the shop-floor. FDR, in addition, called for a meeting of representatives of labor and industry in the second half of December 1941. This meeting drew the following three conclusions: (1) There shall be no strikes or lockouts, (2) All disputes shall be settled by peaceful means, (3) The president shall set up a proper War Labor Board to handle these issues (Glaberman 1980: 1-15).

<sup>9</sup> See for an extensive documentation of these strikes between December 1944 and February 1945 Glaberman 1980: 51-60.

sit-down strikes and the causes of the upsurge of worker militancy during WWII: “Taken together, the conversion of the factories to high-cost military production, the new demand for labor, and the defection of the foremen created an environment on the shop floor that contributed to an erosion of traditional factory discipline and the rise of worker control of the production process far beyond that formally outlined in wartime contracts” (Lichtenstein 1980: 344).

The postwar shift of shop-floor based worker militancy towards a system of collective bargaining at the company level in the US was primarily caused by the deployment of an institutionalized system of industrial relations in the late 1940s and early 1950s. This system was embedded in the New Deal collective bargaining legislation. Other important elements in this respect were the effective centralization taking place in the UAW in the same period and particularly embodied in the strong leadership of Walther P. Reuther, and also, the changing structure of work in the car industry itself (Lichtenstein 1980: 349; also: Halperen 1988; Lichtenstein 1997; Boyle 1998).

The first manifestation of this important transformation was the great postwar strike in 1945-46. In this strike, that lasted 113 days, from 21 November 1945 until 13 March 1946, Walther P. Reuther played a decisive role.

At stake was a demand of a thirty percent wage increase against the backdrop of increased GM-profits during the war years and a lagging of worker’s purchasing power since the outbreak and ending of the war<sup>10</sup>.

The prelude of the strike started on 18 August 1945 when Walther P. Reuther, vice-president of the UAW and director of the GM Department, sent a letter to GM’s president G.M. Wilson. In this letter Reuther demanded for a 30 percent wage increase without price increases of cars. He also pledged for the “calling of an industry-wide conference for the purpose of establishing a wage pattern for the entire industry”. The background of the UAW’s demands was President Truman’s announcement of a change in national wage stabilization policy, including a restoration of free collective bargaining and adjustment of wages without price increases. Both demands were rejected by the company top-management.

Subsequently, on 19 October 1945 the UAW published a document “Purchasing Power for Prosperity” in which it argued that a thirty percent wage increase was necessary to compensate for earlier wage-cuts because of the loss of night-shift premiums and the return to a forty hour week schedule. In addition, price increases had to be prevented in order to stimulate production and

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<sup>10</sup> The following part is based on Carlton 1946, who offers a meticulous description of the strike and its long term consequences.

employment in the postwar period.

After 19 October 1945 negotiations started. In November 1945 GM's first offer implied a wage increase of 10 percent, combined with price increases. This was rejected by the UAW and subsequently on 21 November strike broke out in all major production units of GM.

After a mass demonstration of several thousands of strikers around the GM Building in Detroit, GM announced the cancelling of the National Agreement. This was reason for President Truman to appoint a fact-finding board. This board recommended on 10 January 1946 a 19.5 wage increase without increasing prices and a reinstatement of the old National Agreement of the beginning of the 1940s.

Then, the UAW advanced the board recommendation towards the National Labor Relations Board, accusing GM of unfair labor practices.

In the beginning of March GM decided suddenly to give way and on 13 March an agreement was finally reached, including an 18.5 cents wage increase, plus a wage-equalization fund, union security in the form of an irrevocable check-off of union dues, a much improved clause recognizing seniority as a factor in transfers and promotions, and a restoration of all the disputed contract clauses awarded by the War Labor Board.

The great postwar strike, as Carlton conclusively contended: "revealed the willingness and the capacity of labor to rise above the traditional tactics of bargaining for a bigger slice of fruits of capitalist enterprise, and to lay the foundations for new economic arrangements at a society of security, freedom and abundance" (Carlton 1946: 427). In short, it was the end of "pure and simple unionism-as-usual" or "nickel-and-dime unionism" (Carlton 1946: 430, 426)<sup>11</sup>.

Taken together, the great post-war strike of 1945/1946 can be viewed as the first postwar national collective bargaining agreement with GM that also fitted well in the new national US labor policy constructed between 1935 and 1947. The next step further into this direction was taken with the acceptance of the collective GM agreements of 1948 and 1950 and both of which have also much in common.

Both agreements were reached without supportive strikes, such as for example the strike of 1945/46, and had a national impact.

The core of the 1948 and 1950 agreements, the latter coined by Fortune at the time as the 'Treaty of Detroit', was a wage package. The 1950 agreement contained additionally an agreement on pensions

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<sup>11</sup> In the wake of the strike Walther P. Reuther was appointed president of the UAW on 27 March 1946.

and insurance. With a two years and a five years agreement respectively GM bought a relatively long time period with no or limited work-stoppage activities.

Box 2 summarizes the main terms of both the 1948 and 1950-agreements.

**Box 2: Terms of agreement GM Collective Agreements 1948 & 1950**

<b>GM Wage Agreement 1948</b>	<b>GM Autoworkers Agreement 1950</b>
Covered 2 years time period	Covered 5 years time period
Main provisions:	Main provisions:
(a) Immediate wage increase of 11 cents per hour (8 cents to compensate for increased cost of living since 1940 and 3 cents to restore 1940 levels of real wages	(a) Continuation of “adjustment principle”. Upward adjustments unlimited, whereas downward adjustments had a floor of 3 cents below the CPI scale prevailing on the effective date of the agreement
(b) Introduction of “adjustment principle”, entailing quarterly interim wage adjustments on the basis of movements of cost of living as measured by the Bureau of labor Statistics (Consumer Price Index)	(b) Continuation of “improvement factor” based on technological progress, better tools, methods and processes (annual wage increase of 4 percent, as of May 1950).
(c) Introduction of “improvement factor”, encompassing an unconditional upward annual adjustment in the scale of wages reflecting increased productivity gains (i.e. additional 3 cents from May 1949 onward	(c) <ul style="list-style-type: none"> <li>- \$ 100.00 pension including social security (pensions may increase with increases in social security)</li> <li>- Insurance benefits: company paid half of the costs of (1) sickness and accident benefits, (2) group life insurance and continuing upon retirement (with no further cost to the employee), (3) hospitalization and surgical coverage of employee and his family</li> </ul>
	(d) A “modified union-shop” arrangement: <ul style="list-style-type: none"> <li>- All current UAW members maintained union membership</li> <li>- All new employees had to join UAW after being employed 90 days</li> <li>- Non-member employees were not required to join UAW</li> </ul>

Sources: Harbison 1950, Reder 1949, Ross 1949, Sloan 1990

At the time the results of collective agreements weren’t seen as controversial or revolutionary by industrial relations experts. On the contrary, their opinion was for the biggest part positive. To some extent, it was recognized that the escalator or adjustment provision could contribute to national

inflation or deflation after some time. With respect to the improvement factor the question was also raised if and to what extent wages should respond on productivity gains. Would not it on the other hand be better to leave productivity gains to the company itself for new investment rather than redistributing it among the workers? ( Ross 1949; Reder 1949).

The UAW itself was the most critical on the escalator clause, mainly because it was seen as a mainly mechanical device and not as a form of true collective bargaining. This was one of the reasons why the UAW declined the offer of GM to sign the agreement for five years (Ross 1949: 3-4).

The pension clause of the 1950-agreement was largely in line with previous agreements with Ford, Chrysler and the United Steelworker's agreement, but went further on one specific point. Like the other agreements, the GM-agreement guaranteed noncontributory pensions of \$ 100.00 for employees at normal retirement age with twenty-five or more years of service. But on top of that the pensions wouldn't be adjusted downwardly if old age Federal social security benefits went up (Harbison 1950: 398).

Harbison and Harbison & Dubin assessed the agreements against the backdrop of both the strategy of the corporation and the UAW (Harbison 1950; Harbison & Dubin 1947).

For the company realizing stability and predictability was crucial. This was embedded in a long-range plan with the following four main objectives: "(1) the protection and improvement of well-being of the corporation; (2) the preservation of unilateral managerial rights and retention of freedom to exercise managerial functions; (3) the achievement of stable, predictable, and "business-like" relations with the unions it has under contract; and (4) the development of collective bargaining as an effective means of preserving and strengthening the free enterprise system"(Harbison 1950: 400). Harbison adds to this that at the background one of the major objectives of GM has been seizing the initiative from 'socialist' UAW-leader Walther P. Reuther and to expand as far as possible the exclusive managerial authority about profits and prices in wage negotiations. Reuther, on his side, tried to realize the opposite and to widen as far as possible the area of collective bargaining (Harbison 1950: 401-402). For the UAW the contracts with GM were the most important in industry because with 50 percent of the total production at the time it was the biggest car producer in the US. Therefore, like GM, it developed its own bargaining strategy consisting of the following four objectives: "(1) to build a stronger and more secure organization; (2) to acquire control over jobs by limiting the corporation's unilateral exercise of managerial functions; (3) to win a better standard of living for GM employees; and (4) in broader terms, to search for some solution to the problem of economic insecurity by 'transforming a formless, anarchic economy into a rational industrial society'"(Harbison 1950: 404).



In sum, the 1940s can be viewed as the era of the break-through and further deployment of the collective bargaining system inside GM at the cost of factional shop floor militancy. Around 1950 the UAW was recognized definitely by GM as the sole union bargaining party at the company level. Both parties had increased interests in preserving the new system and to a large extent would be convicted to each other henceforth for a long time.

### **The 1950s and 1960s: increasing profits and the “labor management accord”**

The period spanning the 1950s and 1960s can be viewed as the heydays of both GM and the UAW. GM prospered very much of the steady increases of purchasing power of Americans.

Ingrassia talks in this respect about the glory days of the automobile industry in general and Detroit in particular because of the fact that “cars were the perfect appliances for a society that was physically and upwardly mobile” (Ingrassia 2010: 31). Profits of GM, Ford and Chrysler had peaked in 1963 at 17 percent and car sales passed the historic line of 8 million automobiles in 1964. However, by 1970 profits had dropped below 13 percent (Ingrassia 2010: 44).

At the organizational level the UAW had been fully recognized by the three big car producers from the fifties onwards. The legal framework, consisting of the Wagner Act of 1935 and the Taft-Hartley Act of 1947, was complemented by a number of clarifying decisions of the Supreme Court in 1958. In this respect, the employer had “to recognize the union selected by a majority vote of the employees in secret ballot, and to bargain with this union concerning wages, hours and other terms and conditions of labor” (Reuther 1964: 69).

As Boyle contends, the increase of material abundance in the US motivated UAW-president Walter P. Reuther not to limit the bargaining process to the corporate level but rather to widen it towards the democratization of economic decision making in the US. Reuther put forward a social democratic program containing proposals for substantial changes in the economic, political and social structure of the US. The Johnson administration implemented parts of Reuther’s proposals in its “Great Society”. As a consequence of this, and also because of the subsequent support of the Vietnam War, the UAW lost its affiliation with the New Left during the social and political chaos in 1968 (Boyle 1999). Important in this respect has been Title VII of the 1964 Civil Right Act. This act promoted correcting social injustices not primarily by collective action of the unions, but rather by applying the Civil Rights Act (Lichtenstein 2002).

The foundation for the strong position of the UAW vis-à-vis GM between 1950-1970 was laid by the results of the important collective agreements of 1948 and 1950. More in particular, the so-called dynamic wage policy, contributed to increases of purchasing power of the GM-workers. As has been

explained, the core of this policy consisted of the cost-of-living escalator clause (COLA) and the annual wage improvement factor. On top of this came old-age security, health insurance, and sickness and disability insurance.

After the expiration of the 1950 five-year collective agreement in 1955, the UAW tried to expand this package with non-profit life insurance and a guaranteed annual wage as well as with a legislative agenda. This agenda consisted of the following eight points: “(1) effective price control and a fair tax program, (2) expanded social security, (3) national health program, (4) repeal of Taft-Hartley Law, (5) civil right program, (6) adequate housing, (7) federal aid to education, and (8) foreign policy program to strengthen America in the face of communist aggression and to work with the free peoples of the world to win the peace”(Reuther 1951: 64-74).

In 1964 Reuther summarized the contract-results concerning the post 1950-agreements with GM of 1955, 1958 and 1961<sup>12</sup>. These results primarily complement the dynamic wage policy as of from 1948:

“In 1955, with plant dispersal playing a major part in industrial production, we insisted upon an area wide preferential right and the right to transfer with the company when it moved to a new location. More importantly, we obtained supplemental benefits for our laid-off members, a major contribution to the stability of employment and the dignity of workers.

In 1958 we increased the period for preferential hiring in new plants to eighteen months following lay off, the supplementary unemployment benefits to sixty-five percent of take home pay, and introduced the concept of severance pay for the worker who lost his job when the plant was moved to another area.

In 1961, these efforts to cushion the shock of technological and “plant-dispersal” unemployment continued with provisions for moving allowances and a shorter work week. We also insisted that each worker on production lines be given twenty-four minutes per day for personal relief time. An absolutely essential safeguard against the drudgery of the conveyor line” (Reuther 1964: 73-74).

These agreements echo to some extent also the consequences of technological progress for employment. This phenomenon contributed gradually to a substantial decline of employment in manufacturing industries like GM in the post-war era. For example, under the 1961 agreement older workers becoming redundant because of new technology, “or those who for other reasons elect to do so - may retire at age sixty with a pension benefit very nearly equal to the combined income they will begin to receive at age sixty-two from the pension fund and social security” (Reuther 1962: 104). Reuther contended at the time that collective bargaining alone could not solve the issue of technological progress and employment. This should therefore be supplemented by public programs. For instance, the standard forty-hour week regulated in the Fair Labor Standards Act should be

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<sup>12</sup> The period 1960-1961 was a period with intensified work stoppage activities inside GM.

adapted to a more flexible work week in case of loss of full employment. Furthermore, according to Reuther a national program for retraining of displaced workers should be introduced by the Federal Government (Reuther 1962: 106-107). Automation required also special educational attention to young Americans who entered the labor market at the time in increasing numbers.

In sum, Reuther defined union concern as a mixture of collective bargaining and political action (Reuther 1964: 77).

When GM-profits peaked in 1964 and GM had become the biggest industrial corporation in the world a strike broke out on September 25. Altogether, 260.000 GM-workers went on strike, not primarily for money, but for better working conditions which had deteriorated because of automation and rationalization. At stake was the renewal of the three-year collective agreement with GM (Mikuson 1964: 68).

In 1970 Walther P. Reuther died as a consequence of a plane crash and with his passing came an end to a living legend in trade unionism. Also because of other reasons the year 1970 can be viewed as a turning point with respect to GM and the UAW and their reciprocal relationship.

### **The 1970s and 1980s: stagnation and recovery**

From the onset of the 1970s the decline of the American automobile industry became visible. The American car market had become saturated. This was illustrated by substantial drops in car selling and decreasing profits of the car industry. At the same time, competition with the Japanese car industry, importing cheap cars in the US since the late 1950s, intensified. In short, the American car industry was confronted by a productivity crisis, that is decreasing profits and at the same time increasing costs. By 1974 GM's sales were down 35.7 percent and had the company closed fifteen of the twenty-two assembly plants, inclusive laying off 65.000 workers (Barnet 1974). In the wake of this development also union membership fell substantially, in particular in the manufacturing industry. In the car industry union membership decreased in the 1970s and 1980s with 500.000 (Lichtenstein 2002: 213).

Until the 1970s GM's main strategy had been focused mainly on a well-developed marketing strategy and based on this, selling as much cars as possible. This strategy, called Sloanism, had been highly successful until then, also in a competitive sense in comparison with the other two big car producers in the US, Ford and Chrysler. On the other hand, Sloanism implied at the same time a certain neglect of attention for productivity or Fordist production techniques. Rotschild who made this distinction defined Fordism as: "the technology of mass assembly line production ... based on the *rational* reorganization of work to fit the rhythm of the new machinery" (Rotschild 1973).

The saturation of the American car market, combined with inflationary tendencies around 1970 forced GM to adapt its strategy and to pay more structural attention to productivity gains. One of the new spearheads was the construction of a new cheap car, the Chevrolet Vega<sup>13</sup>. The Vega had to become the second family car in the US. This was a part of the car market which was not matured yet. GM decided to build a complete new plant for the production of the Vega in Lordstown, Ohio. The investment between \$ 100 and \$ 200 million was relatively high. The result was a highly automated factory, in which a big part of the production (the welding) was carried out by robots. The remaining human part of the work was repetitive and monotonous and done by mainly unskilled workers.

Just a few weeks before the production of the Vega started a national GM strike broke out on 10 September 1970. This strike would last ten weeks altogether or 67 days. The new contract was a bit contradictory to the ongoing shift in strategy from Sloanism towards Fordism in GM.

First of all, GM granted the 400.000 GM-workers a wage increase of thirty percent over the next three years to compensate the rising inflation. In the same context the earlier suspension of the cost-of-living adjustment was lifted. Finally, the UAW realized the so-called “thirty-and-out” provision, allowing workers to retire at age fifty-eight after thirty years of GM service with a full monthly pension of \$ 500,- (Ingrassia 2008: 45).

The 1970 strike was also fought in the new GM-plant in Lordstown and was directed at solving local disputes concerning the pace and control of production. After a thorough analysis of developments in the American automobile industry in the beginning of the 1970s Emma Rotschild prophesied a further intensification of future labor conflict caused by cost cutting and productivity increase:

*“The American automobile industry now faces a double crisis of insufficient demand and stagnating productivity. To sell more cars, manufacturers must produce cars more cheaply. To produce cars more cheaply they must increase the productivity of their operations. They must use elaborate and expensive machinery, as Chevrolet has done in its new Vega factories. They must fire workers, restrict working conditions, and make each worker’s job more demanding to perform. The most bitter conflicts in the recent GM strike were to do with the pace and control of production. As the stagnation of the industry continues, the conflicts will become more bitter, and more frequent” (Rotschild 1971).*

This turned out to be right very soon and was going to change the nature of the relationship between the worker and the corporation by giving the ordinary workers anew a stronger voice relative to national UAW-officers since 1930s and 1940s (Kempton 1973).

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<sup>13</sup> Another part of the changing corporate strategy was investing in expansion in developed and developing countries rather than exporting cars produced in the US and in addition, re-importing of cheap car components (Rotschild 1971).

In February 1972 the GM-workers of the Vega factories in Lordstown went on strike again. This time, the main issue was the job content and unresolved complaints about “a change in plant management, layoffs, a disciplinary crack down, an increase in car defects, complaints by workers about the speeding up of monotonous assembly line tasks, slowdowns, high absenteeism, repeated allegations by GM of worker sabotage”(Rotschild 1972). In short, the conflict focused on the Fordist engineering in Lordstown entailing new machinery requiring harder and faster work. In this respect, a change of management was also important. Managers from the General Motors Assembly Division (GMAD), who had a tough reputation, took over managerial responsibilities in Lordstown. They reorganized the production schedules and subsequently laid off 300 workers and introduced additional disciplinary measures (Rotschild 1972).

To solve the dispute the Vega workers proposed the introduction of a four-day workweek, with ten-hour daily shifts and in addition structural job enrichment. However, the corporation refuted the demands and instead of that agreed on a Joint Orientation Program to be set up on an experimental basis at the Cadillac factory in Detroit. The Program consisted of counseling “workers with bad attendance and tardiness records and was mainly focused on young workers<sup>14</sup> who liked their jobs less than older workers” (Rotschild 1972).

Summing up the developments in the beginning of the 1970s, it can be stated that the UAW reinvented to some extent local bargaining on matters concerning the job content of mainly alienated young workers in highly automated production plants in addition to companywide bargaining about wages, working conditions and sociopolitical matters. At the background the process of de-industrialization of the American Economy got more significance.

The 1980s would become another difficult decade for GM and the UAW.

In 1981 GM lost \$ 763 million and the Big Three altogether \$ 1.2 billion. As a consequence, employment almost halved the 1978 peak (Capelli & Sterling 1988: 201). This was one of the reasons that the UAW in the onset of 1982 agreed to a wage freeze lasting two and a half years, the postponement of cost-of-living allowances and the elimination of some paid holidays (Ingrassia 2010: 80). Capelli & Sterling even talk about the hardest financial time for the industry since the depression of the 1930s. This set the tone for negotiations on the connection between labor costs, auto prices, declining sales and employment (Capelli & Sterling 1988: 201). Also in a political sense, the 1980s would become a hard time for the UAW. As has been said, there was a substantial reduction of union membership. Moreover, with the election of conservative President Reagan

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<sup>14</sup> The average age of the Lordtown workers was 24.

organized labor lost substantial influence on the political process. In addition, the civil rights movement and women's group got a greater impact on industrial relations than the unions by means of collective bargaining (Rehmus 1984: 41, 51; also Lichtenstein 2002: 212-245).

Collective agreements between GM and the UAW were settled in 1982, 1984 and 1987. In addition, GM and Toyota established a joint venture in 1984, after Honda started as the first Japanese car manufacturing factory in Marysville, Ohio with its own assembly plant in Ohio in 1982 and subsequently also Nissan in Smyrna, Tennessee. The new GM-Toyota transplant was called New United Motors Manufacturing or briefly NUMMI and implemented new production techniques (the Toyota production system) as well as new collaborative labor relations if compared with the other GM-plants. One year later, in 1985, GM agreed with the UAW on the establishment of Saturn, a new car factory to be constructed in Springhill, Tennessee. The intention of both partners was to start also in this plant with renewed and less-unionized labor relations.

Against the backdrop of the economic developments it is not strange that the main issue of the collective agreements of 1982 and 1984 for the UAW was a trade-off between wages and employment. The most important demand of the UAW in 1982 as well as in 1984 was job security. In the agreement of 1982 the focus was on the prevention of job losses on the short-term, whereas the focus in the 1984 agreement because of better economic conditions and increasing threats of foreign competition was on the long-term.

The most important results with respect to the safeguarding of employment in 1982 were:

- "a 24-month moratorium on closings due to outsourcing
- a statement rescinding the closing of four plants
- an agreement to impose equal sacrifices on management
- a guaranteed income stream (GIS) providing long-term income protection to permanent laid-off, high-seniority workers" (Cappelli & Sterling 1988: 203).

As has been stated, in return the UAW had to do some concessions to GM such as the aforementioned wage freeze, but also: "deferring the cost of living adjustment for 18 months, the elimination of paid holidays, and a new plan to control absenteeism" (Capelli & Sterling 1988: 202-203).

The focus of the 1984-agreement was on the long-term job security.

As in 1982 the UAW accepted wage moderation. In return, the UAW realized a profit-sharing plan and furthermore:

- "extended supplemental unemployment benefit coverage
- extended guaranteed income stream coverage to include all workers with more than one year's

seniority

- increased overtime scheduling
- a pledge at GM to build a new line of cars in the US
- a generously funded job opportunity bank where displaced workers would go for retraining for jobs within the company” (Capelli & Sterling 1988: 205). Displaced workers with at least one year of seniority would receive 95 percent of their former wages until a new job was found<sup>15</sup> (Ingrassia 2010: 87).

Finally, the 1987-agreement included guarantees that GM-workers can be laid off only because of drops in auto sales and not because of “technological changes, outsourcing, negotiated improvements in productivity, or corporate organizations”. In reverse, the UAW agreed to “the establishment of plant-level committees to examine ways for using team concepts more fully and altering work practices to improve productivity and product quality” (Katz et al. 1987: 687).

The use of team concepts anticipated clearly on the renewal of industrial relations in both the NUMMI- and Saturn-factories with which GM tried to improve its competitiveness.

### **NUMMI<sup>16</sup>**

For GM the 50/50 joint venture with Toyota, first of all, was an opportunity to improve its competitiveness with respect to the relatively cheap and high quality Japanese cars sold on the American market. Also important was the opportunity to gain experience with the Toyota production system (TPS). Perhaps in GM’s vision, later on, these experiences could also be applied in other GM-plants. For Toyota on the other hand, NUMMI gave direct access to the American car market. It could support the Japanese company to enlarge its market share in the US.

The clue of the TPS was a non-existing union influence on production. Instead of that, consensus decision making and direct worker involvement both at the policy level and the shop floor level is an important principle. In sum, mostly the TPS is a combination of intensive discipline and worker commitment.

Japanese car production firms, also in the US, were non-unionized and therefore were confronted with less troubled labor relations. In reverse, the Japanese tradition involved also the guarantee of life-time employment to workers. Although this principle was not applied fully in NUMMI, the

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<sup>15</sup> Ingrassia adds that the company agreed a spending cap of \$ 1 billion over three years. Also Ford and Chrysler were forced to agree on the Jobs Bank. Ingrassia contends furthermore that after some years GM management would realize that GM and the UAW had created a monster with the Jobs Bank (Ingrassia 2010: 88)!

<sup>16</sup> Unless otherwise stated, this paragraph is based mainly on Duerr & Duerr 2005 and Adler et al. 1993.

company in due time proved to be reluctant in laying off workers in weak production times.

The agreement between GM and Toyota was signed in 1984 and supplemented with a Letter of Intent between NUMMI and the UAW. In this letter both parties agreed on developing a new and cooperative approach to relations between the union and the management.

The new plant was established in the former GM-plant in Fremont, California. This plant was closed in 1982 due to poor productivity, poor quality and troubled labor relations. On the whole, 5700 workers were laid off. However, the majority of the new assembly line workers, the skilled workers and team managers were re-hired former Fremont workers.

The first car to be produced in NUMMI was the Chevrolet Nova. Later on, other cars were added, such as the Toyota Corolla, the Toyota Voltz, Pontiac Vibe and the Toyota Tacoma pickup truck.

The TPS consisted of the following five key factors, which were also applied in NUMMI:

- (1) "Developing cooperative management-labor relations
- (2) Careful selection and extensive training of workers
- (3) Stressing team work and responsibility of the individual to the work group
- (4) Putting safety and quality first, assigning the responsibility for safety and quality to each worker, and giving them the authority to assure it
- (5) Implementing Toyota's lean production system upon the foundation of the first four key factors"

On its turn, the Toyota lean production system consisted of the following three elements: a just-in-time inventory system, continuous improvement (kaizen) and standardization of improved procedures.

The collective agreement between GM and the UAW with respect to NUMMI contained procedures for advanced consultation with the UAW on major business decisions and procedures for non-confrontational problem resolution at the shop floor level, inclusive the right of team members to stop the assembly line in case of danger or unsafe situations. In addition, the agreement promised some form of job security. In 1991 also a gain sharing system was introduced in the collective agreement. This "Performance Improvement Plan" rewarded workers in case of improvements of quality and efficiency in the production process.

In practice, the NUMMI workers developed their own work rules (Katz et. al. 1987: 724). To make this possible the extensive number of different work classifications common in other GM plants were reduced substantially from 100 to just 3 in case of skilled workers and only one in case of assembly line workers.



The NUMMI-concept proved to be very successful if compared with the output and the quality of the labor conditions of other GM-plants. Productive rose quickly after its establishment with 40 percent in comparison with the average American car manufacturing plant. Furthermore, worker absenteeism, (high) turnover of workers and the number of worker grievances decreased substantially. With hindsight, according to Duerr & Duerr, around 2004 these successes proved to be sustainable<sup>17</sup>.

GM also applied the positive experiences with NUMMI in the new small-car Saturn project from the mid 1980s.

### **‘A different kind of company, a different kind of car’<sup>18</sup>: the Saturn project**

Next to NUMMI, the Saturn project has been the most outspoken and also most controversial experiment in the 1980s and 1990s of GM to catch up with the Japanese car industry in a competitive sense. Although the first initiative was taken in the beginning of the 1980s, car production only started in October 1990. The concept on which the Saturn project was based, was highly comparable with the NUMMI Japanese production concept and moreover, also entailed a complete renewal of management and labor relations based on codetermination and joint collective interest. In a formal sense, Saturn started in 1985 with the joint GM-UAW ‘Memorandum of Agreement on Saturn Corporation’.

GM wanted to build new small cars in an innovative way in the new factory. The UAW, on the other hand, primarily wanted to safeguard jobs or job security in the context of a turbulent international car market in which GM had laid off some 150.000 workers in the first half of the 1980s. The joint interests of GM and the UAW were also expressed in the Saturn Mission Statement (see Box 3).

#### **Box 3: Saturn Mission Statement**

The mission of Saturn is to market vehicles developed and manufactured in the United States that are world leaders in quality, cost, and consumer satisfaction through the integration of people, technology, and business systems and to transfer knowledge, technology, and experience throughout General Motors Corporation.

Source: Kochan & Rubinstein 2000: 372

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<sup>17</sup> In the context of the dismantling of GM in 2009 also NUMMI was scheduled to close down. Although NUMMI had been a successful model of efficiency and quality for quite some time, excessive factory capacity in 2009 forced both GM and Toyota to end NUMMI’s existence (Ingrassia 2010: 278).

<sup>18</sup> Saturn’s advertising slogan.

The facility was going to be built in Spring Hill, Tennessee and would employ some 9.500 workers, for the biggest part UAW-members, at its peak in the mid-1990s.

In practice, Saturn can be seen as a unique sort of joint venture between GM and UAW. Both the structure of the plant and the organization of the work were designed jointly. Also, the UAW co-managed Saturn at different levels with approximately 400 full-time union members (Kochan & Rubinstein 2000: 372).

The first innovative Saturn agreement between the company and the union was reached subsequently on July 23, 1985 contained the following points:

- Workers for the new plant would be recruited in other GM plants and should preferably be UAW-member (closed shop)
- Payment of the workers would largely be in accordance with worker pay in other GM plants, inclusive the old COLA-adjustments
- Introduction of a profit-sharing plan comparable to 401(k), rather than a traditional fixed-benefit pension
- Job classification schemes would be reduced from some 400 in other GM plants to just a few: one for production workers and three to five for skilled workers
- Creation of operational self-management teams, consisting of six-to-fifteen members
- Job security would be guaranteed to almost all workers
- Elimination of distinctions between management and workers (joint parking lots and canteens (Clarck 1986: 300; Powers 1988: 91; Ingrassia 2010: 120).

In addition, in subsequent agreements of 1992 and 1994 were added:

- the linking of completion of training programs to the annual risk and reward compensation system
- the establishment of a reward portion of pay based on quality, output and profitability goals
- the election of union representatives responsible for handling member grievances (Kochan & Rubinstein 2000: 376, 379).

Initially, Saturn was seen as a potential 'revolutionary' innovative project that could foster a complete future turn-around or as it was called also 'Saturnization' of the existing American system of industrial relations. This system, based still on the Wagner and Taft Acts, stressed the importance of company bargaining between opposite interests, whereas the ground idea of the Saturn project was mainly sustainable codetermination and not primarily conflict resolution (Clarck 1986: 304).

Kochan & Rubinstein assessed the Saturn projects as a shift in the American economy from shareholder ship towards stakeholder ship in which GM as well as the UAW were the main

stakeholders (Kochan & Rubinstein 2000: 367-386).

Perhaps this was a bit too optimistic. After a very successful first five operative years of Saturn in terms of profits and quality, a combination of internal resistance inside both the UAW and GM, plus decreasing car sales, from 314.000 in 1990 towards 210.00 in 1997, foreboded a gradual deconstruction of the Saturn project. In the second half of the 1990s the main advocates of the project GM's CEO Roger Smith, UAW vice-president Donald Ephlin and local union leader Michael Bennet resigned. Instead, a more critical new GM management and the new more traditionalist UAW president Stephen P. Yokich started with the dismantling of the Saturn project. First, in the second half of the 1990s local union members voted for a return to the national agreement between GM and the UAW. Then, also in the second half of the 1990s Saturn was integrated in the new GM small car division (Kochan & Rubinstein 2000: 382). Finally, after the turn of the century, in the context of the final demise of the corporation it was decided to close Saturn (Ingrassia 2010: 278).

### **The final stage: towards the bankruptcy of the corporation in 2009**

The final stage of the company began in the 1990s and lasted until its bankruptcy in 2008. Although in this period there have been various work stoppages, such as in 1996 in Dayton, I will focus on the big strike of 1998. This strike, seen by various observers as the most costly strike in history of GM, can be viewed as an expression of the changing production system of GM and the related changes of labor relations in the company. The main issues of this particular strike, which finally cost GM between \$ 2 and 4 billion after taxes (similar to 1 percent of US GDP), concerned outsourcing (Herod 2000: 527; Kochan & Rubinstein 2008: 382; Blose et al. 2002: 259).

The strike, as the sit-down strike of 1936/1937, took off in Flint, Michigan on June 5 and lasted several weeks (54 days). About 3400 UAW-members stopped working in the metal stamping plant due to the intention of GM to introduce in this plant just-in-time production (JIT) and as a consequence to reduce the large number of job classifications. In sum, GM wanted to replace the still Fordist working organization in the plant by a more flexible one. Ingrassia contends in addition, that workers at the Flint facility were filling their negotiated daily production quotas after working four or five hours before leaving (Ingrassia 2010: 129). The UAW, on the other hand, feared further erosion of job security after earlier substantial job losses in Flint.

On 11 June this strike was followed by a second strike in the adjacent Flint Delphi Automotive Systems components plant. This strike entailed some 5800 UAW-members.

As a consequence, by mid-June almost all of GM's North-American car-assembly plants (GMNA) had to be closed because of a lack of components. As Herod contends: "At its height, the dispute caused

193.517 workers to be laid off at 27 of GM's 29 North American Assembly plants and some 117 components-supplier plants owned by GM subsidiaries had to either close or cut back on production"(Herod 2000: 527).

In fact, the labor dispute blew up the current national collective bargaining agreement and was therefore contested by GM. On the other hand, the UAW argued the strikes as legal because they dealt primarily with local issues. Until that moment, the so-called national master collective agreement had been predominant. Local contracts were almost always embedded in the master contract. The 1998-dispute learned the UAW that also local strikes could have substantial national consequences henceforth and required at the same time less mobilization of workers. This was ushered by a new global and local "geography of production" caused by JIT and the accompanying new division between assembly plants and components suppliers (Herod 2000: 521-547).

The results of the 1998-strike after giving way of GM on July 28 can be listed as follows:

- GM's promised not to change substantially existing work rules
- Investment of \$ 180 million in the stamping plant in exchange for a 15 percent increase of productivity
- Withdrawal of GM's complaint that the strikes were illegal with the federal court
- Both Flint plants would remain open in the near future (Herod 2000: 540).

Taken together, in a more principle sense the 1998 labor conflict expressed a reconfiguration of power relations between GM and the UAW. In addition, also changing intra-power relations inside UAW would give local unions henceforth relatively more power vis-à-vis the central union leadership. This reverberates to some extent the nature of the first big labor dispute in Flint, Michigan some sixty years earlier.

As has been stated, in 2003 the Saturn workers returned to the national UAW-GM agreement "with its plethora of job classifications, work rules, and seniority clauses" and restored with this the traditional labor relations in GM. At the same time, also GM said goodbye to its initiatives, to transform labor relations in GM plants towards more cooperative management-labor relations (Ingrassia 2010: 135).

In 2005 GM's position was weakened substantially due to big losses in car sales. For example, in the last quarter of 2005 GM lost \$ 1.6 billion. As a consequence, the UAW agreed to a reduction of health care benefits. Although medical benefits remained free for active workers, retired workers had to pay monthly health insurance henceforth. Yet, the expensive Jobs Bank to which GM contributed \$

800 million in 2005 remained out of discussion Further limited reductions of health care costs followed in 2006 (Ingrassia 2010: 172-175).

After 2005 earnings of GM went up again, partly because of cost cutting. In the second quarter of 2007 the gains were a modest \$891 million. In the same period GM started negotiations with the UAW for a new two years national contract . At the background the number of US workers of GM had decreased from 450.000 in 1985 to approximately 74.000 in 2007. Part of the talks concerned new reductions on health care which at that time cost GM \$ 51 billion. GM, as Ford and Chrysler, proposed to replace the company's health care provisions with introducing a Voluntary Employee Beneficiary Association (VEBA), a trust fund financed partly by the company and controlled mainly by the UAW.

Initially, the UAW didn't agree with this and summoned a two days contract strike against GM<sup>19</sup>. After settling the strike the UAW accepted a two-tier wage system with a lower pay for new workers in Detroit. Additionally, the UAW agreed with VEBA (Ingrassia 2010: 200-2003).

Finally, in November the clout was plunged for both GM and the UAW. Shortly after the election of Barack Obama as President of the United States GM's stock reached the lowest level since 1946 and lost with this 70 percent of its value in just three months. Both GM (plus Chrysler) and the UAW had to travel to Washington "to make their case for a federal bailout" or "new deal" of \$ 13.4 billion (Maynard 2008; Rothschild 2009; Ingrassia 2010: 215).

In return GM had to reduce its labor costs, including the contractual obligations with respect to health care benefits and pensions for retired workers as well as to invest in smaller fuel-efficient cars (Rothschild 2009). At the same time, the UAW had to agree to wage parity with Japanese car plants in the US and furthermore to stock taking in GM rather than receiving cash for the money GM and Chrysler owed to the VEBA (Ingrassia 2010: 225).

Then, on March 30 2009 GM went formally bankrupt on the basis of Chapter 11 of the US Bankruptcy Code and subsequently received supplementary cash of \$ 30 million from the federal government to make a partial restart<sup>20</sup>. The company was split into two separate parts. One part, mainly consisting of Cadillac, Chevrolet, Buick, GMC would continue as "New GM". The other part, "Old GM" mainly consisting of Saturn, Saab, Hummer, and Pontiac was going to be sold out to interested external

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<sup>19</sup> The first national contract strike against GM since 1970.

<sup>20</sup> Also its acting CEO Rick Wagoner was forced to leave the company by the Obama government.

parties. The US government received in return 60 percent of GM's stock and so became the largest shareholder of GM, next to the UAW and the Canadian government (Ingrassia 2010: 268-271).

By the end of 2009 the once biggest car producer in the world had finally become a medium sized car producer with a still uncertain future. Also the UAW had lost considerable leverage and was viewed by many henceforth as a too powerful union that had kept GM in a deadly hug for decades and that finally contributed considerably to its extinction<sup>21</sup>.

## **Conclusions and debate**

Overseeing the whole time period between 1936 and 2009, what can be concluded about the historic relationship between the UAW and GM from the viewpoint of American industrial relations?

Beforehand, two important interpretative distinctions have to be made.

The first relevant distinction is the distinction between shop floor control and worker control. Both the UAW and GM management tried to maximize over time shop floor control and worker control with different, but comparable intentions. For example, the main intention of the UAW to maximize worker control was to establish and to preserve strong centralist union authority instead of fragmented anarchic job control at the shop floor level. On the other hand, the management wanted to maximize its control on the shop floor in order to prevent anarchism and periodic disruption of the production process. In addition, management intended to establish as much as possible authority and room of maneuver with respect to the production process and its different aspects.

A second relevant distinction is the historic development of Fordist mass production towards flexible specialization<sup>22</sup> from the 1970s onward (Piore & Sabel 1984). This structural change reflects important changes of the capitalist production process caused by the gradual saturation of consumer demand, increasing global competition and energy shortages as a consequence of the two oil crises in the 1970s.

To some extent, the development of Fordist mass production towards flexible specialization 'revolutionized' the traditional shop-floor and worker control strategies of the UAW and GM respectively. For example, as is demonstrated by the NUMMI and Saturn cases, the UAW

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<sup>21</sup> Reisman circumscribes the role of the UAW in relation to GM as "that of a swarm of bloodsucking leeches, a swarm that will not stop until its prey exists no more" (Reisman 2006).

<sup>22</sup> Flexible specialization is a local development strategy of permanent innovation based on multi-used equipment (e.g. versatile machine tools coordinated through complex computerized controls); skilled adaptable workers; and the creation through politics of an industrial community devoted to innovations where networks of socially embedded small firms compete and cooperate (Piore & Sabel 1984: 17; Wilensky 2002: 53).

rediscovered the potential power of shop floor bargaining in realizing national goals. On the other hand, flexible specialization helped GM to reorganize its production process by outsourcing unskilled work to suppliers elsewhere in the US and abroad. Combined with a new, more collaborative approach of industrial relations, the strategy of flexible specialization supported GM with reducing union influence on both the shop floor and the national level.

Summing up, the conclusion is justified that over time there has been a permanent struggle and trade-off between the UAW and GM management about shop floor control and worker control. During the era of Fordist mass production GM management controlled mainly the shop floor and the UAW the workers. This relationship with some traits of a truce became somewhat more complicated and erratic in the era of flexible specialization from the 1970s onward. In this period the UAW rediscovered the potential significance of shop floor control in behalf of worker mobilization at a national scale, whereas GM refined its shop floor control strategy. In the same period UAW's strategy of worker control strained, mainly because of the economic decline of GM.

Turning to history in more detail, I will try to answer the three more specific research questions formulated in the first paragraph.

The immediate pre-depression years were also the years of so-called "welfare capitalism". Large companies, such as GM, tried to buy industrial peace by offering their employees certain provisions in the personal sphere, such as canteen facilities, but also pension and health provisions. Welfare capitalism in GM came to a sudden end with the Flint sit-down strike in 1936/1937. Although orchestrated by the central union authority, this work stoppage contained also anarchic elements. The main objective of this strike was union recognition by GM. This strike and the many other sit-down strikes in the second half of the 1930s was induced directly by new New Deal legislation and more in particular the Wagner Act. This act stimulated and supported deliberately the recognition of trade unions as bargaining parties. As a consequence, in settling the substantial 1936/1937 labor conflict even the state and federal government, but also President Roosevelt played an important conflict solving role.

After the issue of UAW's recognition by GM, the second half of the 1940s and the first half of the 1950s demonstrated the absolute success of the "truce" between the UAW and GM, in which the UAW practiced almost absolute worker control and GM on its turn almost absolute shop floor control. This was incorporated in the "Treaty of Detroit" in 1950, containing important concessions of GM with respect to wages (COLA, Improvement Factor) and other working conditions concerning pensions and health care. This truce was supported by the Taft-Hartley Act (1947), which further

restricted worker militancy at the shop floor level. These were also the glory days of the automobile industry. Trees seemed to grow into heaven by the enormous increase of wealth from the 1950s onward. This stimulated UAW-president Walther Reuther to widen the UAW bargaining program towards a social democratic program directed at substantial changes in the economical and political structure of the US. However, this heralded also the end of the era of Fordist mass production and the subsequent onset of flexible specialization. One of the symptoms was the saturation of the American car market. Another was the increasing competition with the Japanese car industry.

GM's strategy in the new era of flexible specialization contained of reorganizing existing production processes (components production and assembly) and the establishment of new highly automated plants (Vega, NUMMI, Saturn). At the same time, the UAW lost significant influence. The number of auto workers decreased enormously and as a consequence, also the number of UAW members by the many lay-offs and outsourcing activities of GM. Furthermore, the broken coalition with the New Left further eroded the political influence of the UAW.

The primary objective of the UAW shifted from the improvement of wages and working conditions towards safeguarding as much as possible job security. One of the remarkable bargaining results in this respect was the creation by GM of the expensive Jobs Bank in 1984. But also, as Rotschild previewed already in 1971, the double crisis of insufficient demand and stagnating productivity in the American automobile industry would also generate more bitter and frequent labor conflicts about job security in the future. Most significant in this perspective was the big strike of 1998 about the changing production system and outsourcing activities of GM.

This strike can be viewed as the beginning of the end of GM in 2009. After giving way to the UAW with important concessions, losses of GM increased after a temporal revival of the gains.

Finally, GM went bankrupt in the Spring of 2009.

Taken together, In due course the objectives of the UAW with respect to GM changed from union recognition towards a dynamic wage policy and finally towards safeguarding job security. At the same time, GM was willing to give way to a large extent to union demand, initially to buy peace and predictable labor relations, but subsequently to exchange some job security of workers for a more intensive international competitive strategy. This strategy contained the possibility of reorganizing production processes in a flexible way, outsourcing of productive activities and easy lay-offs of workers in case of economic setbacks.

At several moments in history the US-Government has played a decisive or significant role in the historic relationship between the UAW and GM. Most decisive perhaps, was the implementation of



the New Deal legislative framework (Wagner and Taft-Hartley Acts) in the period 1937-1947. This eased recognition of trade unions in the USA and furthermore, regulated the American system of industrial relations. In addition, several presidents have played a role in the creation and maintenance of the relationships. Most significant in this respect were FDR, Harry F. Truman, Lyndon B. Johnson, Ronald Reagan and finally, Barack Obama. The majority of them were Democrats. History also makes clear that the progressive New Deal labor legislation was contested from the onset by conservative republicans. Most significant in this respect was senator Robert A. Taft who initiated the Taft-Hartley Act. But also other conservative republicans, backed by some companies (including GM), media (radio, journals, papers) and think tanks, tried to reduce the influence of union favorable legislation or even break the unions (Phillips-Fein 2009: 87-114).

On balance, it can be concluded that the UAW until the structural decline of the American economy took more advantage than disadvantage of government influence. Therefore, as the UAW, also the US-government has played a significant role as a countervailing power in the American industrial relations system. Grossly seen, before the presidency of Ronald Reagan the government was most supportive to the trade unions and thereafter to American business.

Although no systematic attention was paid to roles of strong personalities it can be confirmed that they indeed paid also a significant role at certain moments in the history of the relationship. Most remarkable in this respect were Walther P. Reuther of the UAW and Alfred P. Sloan of GM. Reuther not only played a decisive role in the Flint sit-down strike, but also in the direct post-war strikes and the Treaty of Detroit. Later on, he exerted also a significant influence on LBJ's Great Society.

Sloan, GM-president for twenty-three years and member of the board for forty-five years until 1966, on the other hand, opposed the New Deal. But apart from that, Sloan developed a rather pragmatic attitude vis-à-vis the UAW (Sloan 1964: 390-406, ix). After the change of Fordist mass-production into flexible specialization, the influence of strong personalities at both sides became more dispersed, but remained rather significant.

To conclude, the about seven decades spanning relationship between GM and the UAW has been intensive and at the same time unique from a historical perspective. At several times it was backed or opposed by the US-government and strong personalities in the UAW and GM. At the same time, the relationship was not a static one. Influenced by structural developments in the American and the global economy and internal political developments in the US the nature of the relationship changed significantly over time. To some extent and for various reasons it was also to both parties involved a sort of never ending paradise which in the end got stuck still. All in all, the relationship was and remained a flexible and dynamic one until the clout was plunged definitely in 2009.

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